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C O N F I D E N T I A L SECTION 01 OF 02 NEW DELHI 001801

SENSITIVE

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DEPT FOR SCA/INS

E.O. 12958: DECL: 09/26/2019

TAGS: PGOV PREL PTER IN

SUBJECT: INDIA BOOSTS TIES WITH NEPAL, KEEPS AN EYE ON CHINA

Classified By: Political Minister-Counselor Uzra Zeya for reasons 1.4 (B,D)

¶1. (U) SUMMARY: Nepali Prime Minister Nepal's visit to New Delhi allowed India to hit the reset button in its ties with Nepal. PM Nepal met with all the right people and, despite Maoist pressure from home, came away with promises of substantial aid in infrastructure, trade, police training, and more. India has come to a consensus on its Nepal policy now that the Maoists are in the opposition: use aid and other cautious, low-profile tactics to ensure that Indian influence remains strong in the face of Chinese competition. END SUMMARY.

Trade, Infrastructure, Borders, Police, and... Goiters

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¶2. (U) Nepali Prime Minister Madhav Kumar Nepal visited New Delhi on August 18 - 22. Accompanied by a large delegation, but not by his Foreign Minister who cancelled at a late date, PM Nepal met with Prime Minister Singh, President Patil, Vice-President Ansari, UPA Chairperson and Indian National Congress president Sonia Gandhi, and Communist Party of India (Marxist) senior leader Sitaram Yechury. The visit produced an upbeat Joint Press Statement with a laundry list of deliverables that included an agreement on revisions of the Treaty of Trade and Agreement of Cooperation to Control Unauthorized Trade; Indian aid for road and rail infrastructure including two new rail links between India and Nepal; and a goiter control program. India also agreed to let Nepal use its port at Vishakhapatnam for transit traffic to and from Nepal, to increase communication links between border districts, and to provide training for Nepali police. Nepal's peace process was mentioned briefly in the Joint Statement, declaring India's support for it and for economic transformation in Nepal. (Note: Full text available at <http://meaindia.nic.in/>)

India Gets Assertive in Nepal

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¶3. (U) This visit was a resumption of a long tradition, broken by Maoist PM Dahal, of Nepali PMs visiting India as their first trip abroad. Our contacts agree that the GOI is generally relieved to deal with a garden variety communist leader rather than a revolutionary Maoist, and that India was eager during this visit to reassert itself in Nepal and to

show itself as Nepal's true friend. Senior Correspondent Sandeep Dikshit of "The Hindu" Newspaper told us India is responding to U.S. and British encouragement to expand its regional role, but in a low profile and tentative way. In an effort to rapidly increase organic linkages with Nepal in order to address concerns of Chinese influence there, India offered a much larger aid package than that which China reportedly offered in conjunction with a "Comprehensive Treaty" during negotiations with Maoist leader Prachanda.

#### A Cohesive, Careful Nepal Policy

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**¶4. (C)** According to senior BJP member Seshadri Chari, The MEA and Prime Minister's Office often tussle over foreign policy issues like Nepal, but they agree that the top priority is to resolve as many regional flashpoints as possible. The BJP and Congress are united in their policy views on Nepal. The main differences in perspective on Nepal occur between Congress and the Leftist parties, who are more likely to favor the Maoists, but their clout has faded as they no longer have the leverage of vital coalition members within the government.

**¶5. (U)** According to Indian policywatchers, the major infrastructure and aid projects promised during the visit are feasible, and can start now. Progress on the Pancheswor multipurpose project and other pending hydroelectric projects will also begin. Third-country diplomats from the region, on the other hand, pessimistically point to the many unfinished Indian infrastructure projects in their countries as

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precedent.

**¶6. (C)** During his visit, PM Nepal reportedly invited Communist Party of India (Marxist)'s senior member and parliamentary group leader Sitaram Yechury to Nepal. Our contacts see Yechury's visit as a coordinated, low-profile way for the GOI to send a message to the Maoists through "their cousins" (the communists) encouraging the Maoists not to obstruct the Peace Process. Nepali FM Sujata Koirala's last-minute decision not to accompany the PM on his India visit may be a sign of a fissure in the 22-party coalition, but the GOI remains committed to supporting it. Chari told us that the BJP is trying, behind the scenes, to convince Sujata Koirala to stay in government but not push for a top leadership position. They believe non-Koirala leadership would better unite the coalition.

**¶7. (U)** Indian Home Minister Chidambaran visited Nepal, ostensibly en route to Bhutan, on August 21. He is reported to have briefly met Nepali Home Minister Rawal at the airport there. Our interlocutors view this as an effort by the GOI to have a very low-profile discussion of security issues with Nepal.

**¶8. (U) COMMENT:** India considered this visit an opportunity for course correction. Happy with the new leadership in Nepal, the GOI is powering ahead to consolidate its role as a benevolent regional leader (not a bully) and to "detoxify" the India-Nepal relationship before the Maoists have a chance to come back into power and swing Nepal back toward China. If India follows through and is successful with its Nepal policy, it could be a test case for relations with other countries in the region. India is highly motivated, as major foreign policy goals like its UNSC aspirations will be affected by its performance as a regional leader, but lack of institutional capacity may prove to be a major obstacle as India tries to implement the aid it promised to Nepal. END COMMENT.

ROEMER